

ITEM NO: 7e supp

DATE OF

MEETING: January 5, 2010



Commission Briefing on Self-Funding Employee Medical and Dental Benefits

Background

- Port's Medical and Dental insurance have historically been fully insured
- Premium sharing was introduced in 2009 as one cost containment measure
- Wellness Rewards Program provides an opportunity for employees to reduce their premium share

Survey of Other Entities

- Port staff visited the Cities of Kent, Bellevue, Everett
 - Selected as they are comparable in size
 - Discussed their self-funded program
 - Learned how they incorporate wellness into their program
 - Discussed their approach to maintaining solvency
 - Learned about state regulatory compliance

Benefits of a Self-Funded Model

- Direct cost savings versus fully insured program
 - Estimated savings of 6% - 8% (~\$1 million)
 - Additional saving opportunity with a self-funded pharmacy program
- Premium tax savings provides significant cost savings
- Ability to audit claim payments against claim projections
- Potential future savings with Health Savings Accounts or Health Reimbursement Accounts
- Future potential opportunity for small business to be selected as a vendor in support of the self-funded plan

Risks of a Self-Funded Model

- Potential claims underfunding
 - Specific stop loss insurance mitigates this risk
 - Aggregate stop loss insurance mitigates this risk
- Failure to maintain solvency requirements
 - Impact is the loss of the ability to be self-funded
- Laws and regulations affecting self-funded employers could change

Challenges of a Self-Funded Model

- More contracts to procure and administer
 - Three contracts vs. the current one
- Additional demands on staff time, at least in 2010
 - Team approach mitigates this challenge

Estimated Annual Savings - Fixed Costs

Item	Fully Insured (Current)	Self-funded (Proposed)	Savings (Annual)
Medical Carrier Admin Fee	\$1,620,000	\$970,000	\$650,000
Dental Carrier Admin Fee	\$220,000	\$140,000	\$80,000
Stop Loss Coverage	\$980,000	\$730,000	\$250,000
Pharmacy Rebate	\$0	(\$114,000)	\$114,000
Cash Flow	\$0	(\$22,000)	\$22,000
Actuarial Services	\$0	\$15,000	(\$15,000)
State Fees	\$0	\$13,000	(\$13,000)
Consultant/Broker Fees	\$150,000	\$150,000	None
TOTAL	\$2,970,000	\$1,882,000	\$1,088,000

Note: The Port would receive an estimated rebate of ~\$1 million in 2012 from Premera once final claims are closed.

Future Commission Action Required

STEP	WHEN
Request authorization to execute a contract, via competitive selection process, with a benefits consultant/broker	January 12, 2010
Request authorization to execute 3 contracts, via competitive selection process with <ul style="list-style-type: none">•Medical Claims Administrator•Dental Claims Administrator•Stop Loss Insurance Provider	Late Spring, 2010

Conclusion

- Self-funding team recommends adopting a self-funded model
- Benefits outweigh the risks and challenges
- Risks and challenges can be managed